



# Career Point Limited

Q4 FY-15 & Full Year Results Conference Call

**May 27, 2015**



**MANAGEMENT:** **MR. PRAMOD MAHESHWARI- CHAIRMAN CEO & MD,  
CAREER POINT LIMITED**

**MR. MAHESH BHANGRIYA-VICE PRESIDENT-CORPORATE  
STRATEGY, CAREER POINT LIMITED**

**MODERATOR:** **MR. RAHUL JAIN – VICE PRESIDENT – RESEARCH,  
SYSTEMATIX SHARE & STOCK LTD**



*Career Point  
May 27, 2015*

**Moderator:** Ladies and gentlemen good day and welcome to the Career Point Q4 FY15 and Full Year Results Conference Call hosted by Systematix Shares & Stock Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Jain from. Thank you and over to you sir.

**Rahul Jain:** Thank you Lizann. Good morning everyone on behalf of Systematix Shares. I welcome the senior management of Career Point represented by Mr. Pramod Maheshwari – Chairman, CEO & Managing Director of the company and Mr. Mahesh Bhangriya – Vice President, Corporate Strategy, Career Point Ltd. I would request now to Mr. Maheshwari to take us through the Q4 and annual results and give some insight into the recent development in the company. Sir, over to you now.

**Pramod Maheshwari:** Thank you Rahulji. Good morning ladies and gentlemen, this is Pramod Maheshwari- Managing Director and CEO of Career Point Limited. Thank you all for joining our investor conference call. With me I have my colleague Mr. Mahesh Bhangriya – Vice President, Corporate Strategy & Investor Relation of the company. I believe most of you have received a copy of our earning update on your e-mail. It is also available on investor relationship section on our website at [www.cpil.in](http://www.cpil.in).

To begin with I will give you an update on our business then Mahesh will take you through financial overview of 4<sup>th</sup> Quarter and full year FY-14-15 followed by questions and answers.

I would first start with update on Tutorial Service Division where we have witnessed upward trend in enrollment with more than 22,000 enrollments in FY-15 versus last year 20,655 enrollments. With this we are happy to announce that the change in examination pattern was a past and proved to be a temporary phenomenon. Now business is getting on track which is not only reflected in 14-15 enrollments but also in ongoing enrollment trend for the academic session 2015-16. Another positive indicator to note that the enrollment in the classroom operations at company owned branches witnessed higher increase than average growth of total enrollments. Additionally a significant drive in 2 years long-term classroom has resulted in growth or coming academic session as well.



*Career Point  
May 27, 2015*

Also with higher growth in JEE Advance and Pre-medical enrollment, now the student base is almost equally spread across the different verticals of Tutorial Division which are JEE-Main, JEE-Advance and Pre-medical.

Top of all these positive facts, the increase enrollment translated into improved margins for the division which is quite natural to our business. To further improve the efficiency of the division this year we have increased our focus on school-integrated program and added new partner as Techno India from West Bengal and RD Public School from Madhya Pradesh.

Our residential coaching cum school offering; Career Point Gurukul performance was also very positive and encouraging. In just second year of operation we have reached almost on full capacity and now we are positioning this offering in the premium category. We believe there is a significant potential to improve the average realization at this campus which can be achieved through two modes, first by increasing the pricing and making it equal to the market standard and second by adding more students enrollment who opt for all three facilities including coaching, school and hostel.

As an extension to our tutorial services, the e-learning portfolio is also delivering very positive and inspiring results. Off-line video content is getting traction not only from the students at metro location but also pulling off the popularity among Tier II and Tier III students.

Now moving to Formal Education division which comprises of higher education and school education; it continued its outstanding performance with enrollment close to 5000 in formal education by 31<sup>st</sup> March 2015. We have registered a CAGR of over 50% in last two years. This is almost equally distributed between school division and higher education division.

Just to remind both verticals of the Formal Education constituted three units each at multiple locations. Higher education includes Career Point University at Kota, Career Point University at Hamirpur and Career Point Technical Campus at Rajsamand. While school education includes Global Public School at Kota, second residential school as a part of CP Gurukul and third the Day School at Jodhpur.

As announced in our last call one of our new school franchisee at Bilaspur in Chhattisgarh is also launched from the current academic session which is 2015-16 under the name Career Point World School Bilaspur.



*Career Point  
May 27, 2015*

In higher education vertical, we signed MoU with SafEducatе and Miles Education during the last quarter for training and certification in supply chain and management accountancy, respectively. At the same time if you look at the placement performance of Career Point University it is quite remarkable. Overall placement of 79.8% is a record achievement in the region in which the university operates. Esteemed recruiters include Wipro, Mahindra & Mahindra, IBM, Vodafone etc.

For the coming academic session, we will be further adding new courses at Career Point University Kota that includes in M. Sc in Life-sciences, LLM, PG Diploma in Law etc. The distinguished feature of our course curriculum is quite appreciated by the students, parents, and recruiters. The under-grad courses Career Point University also includes personality enhancement courses, preparation for various competitive examinations like Bank PO, B. Ed, Civil Services, etc., and that's helping us to get more traction from the students. Additional emphasis on relevant certifications in parallel to academic curriculum like Tally for BCom, Supply chain management for BBA, NCFM for MBA are also adding the value to the students. The new tie-ups, the added feature offer career oriented and placement link course program to the Career Point student.

As an extension of our formal education Vocational Education division is also progressing well and gaining credibility in the market. Vocational Education division Skill Zone has been empanelled by government of Rajasthan for providing government-sponsored training to youth in various skill sectors. We were asked to train 1500 youth in first tranche out of which more than 200 students are currently undergoing training. In the last quarter, Skill Zone has chosen by RIICO - Rajasthan Industrial and Investment Corporation to allocate a land at Jaipur which has specific objective of Skill Development.

This is brief about business update now I would request my colleague, Mahesh, to give you financial update. Over to you, Mahesh.

**Mahesh Bhangriya:**

Thank you. Good morning ladies and gentlemen, I am pleased to share an overview of our Financial Results for 4<sup>th</sup> Quarter and full year ended March 31<sup>st</sup>, 2015.

In Tutorial Services division we had total enrollments of 22,412 by end of period under review. This includes close to 13,000 long-term classroom enrollments at our branch centers with year-on-year growth of 16%.



*Career Point  
May 27, 2015*

At Formal Education division the total 4954 enrollments were registered by end of period against 3465 by end of previous academic session. New enrollments at Formal Education division have resulted a YoY increase of over 30% in auxiliary education fee which is 3.2 crores in financial year 2014-15.

At standalone level, company reported the income from operations at Rs. 62.83 crores with year-on-year growth of 16%. If you look at the total income which is including the other income on the standalone basis it has stood at Rs 71.1 crores including Rs 8.27 crores from the other income.

As mentioned earlier that increased top-line due to higher enrollment generated a significant improvement into operating margins. Operating EBITDA was increased by almost 5 times compared to previous financial year. Operating EBITDA is reported of Rs 11.04 crores against 1.87 crores previous year with margins of 17.6% compared to 3.5% last year.

Here I would like to highlight the operating margins during year 2010 and 2012 when our enrollments were around 30,000 to 32,000 and we used to command the operating margins in the range of 35 to 40%. These numbers indicate the potential of margin improvement going forward with the Tutorial Division.

At consol level, the income from operations grew by 20% year-on-year with leaving out the Kota Automobile income from current period and lease rent income from the last year due to restructuring transaction at our infra-subsiidiary.

The company has realized Rs 9.27 crores of operating EBITDA in the period at consol level including other income the EBITDA is reported at Rs 20.43 crores a year-on-year increase of 69% with two adjustments mentioned earlier.

The adjusted profit before tax and extraordinary items have been multiplied by more than five times at Rs 10 crores for the year 2014-15 against 1.87 crores in the same period last year. At standalone level, the net income was reported at Rs 9.7 crores with an increase of 130% against fiscal 2013-14 and margin improvement of 7 percentage points.

As on 31<sup>st</sup> of March, 2015 the net worth of the company was Rs 3.3 billion and net cash including the investments and current loans after removing the bank borrowing was reported at Rs 73.4 crores at standalone level and Rs 42.5 crores at consol level.



*Career Point  
May 27, 2015*

Now I would like to request Mr. Maheshwari to summarize the updates.

**Pramod Maheshwari:** Thank you Mahesh. To summarize, I would say that year 2014-15 has been quite positive to us and for the company. Growth in Tutorial Division, excellent performance of Formal Education as per the strategy plan and successful launch of their extensions like e-learning and vocational education are key highlights of the year.

Growth in top-line followed by significant improvement in margins is outcome of our continued focus on business fundamentals. Interestingly as we grow the potential for growth has also grown in parallel and we believe that company is fully equipped and we are confident to achieve benefits out of increased growth potential in coming years. Now the floor is open for question and answers.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Chetan Vaidya from JHP Securities. Please go ahead.

**Chetan Vaidya:** My first question is on bookkeeping, can you help me reconcile the cost of material element as reported in the consolidated financial. There seems to be some kind of a multiple growth to 7.5 crores on the consolidated books as of March 15 instead of 77 lakh for March 14.

**Mahesh Bhangriya:** There is an element of Kota Automobile vehicles and inventory in the cost of material this year. Hence we need to look at the adjusted numbers to compare against last year.

**Pramod Maheshwari:** I would like to say one thing, when you want to check the study material first you need to look at the standalone numbers. If you remember we had a small investment in Automobile Company which we have sold in the last quarter. But as a reported number we have to include it in the inventory and the material cost into our numbers.

**Chetan Vaidya:** Second question on your expectations for the enrollments for the academic at 15-16 in terms of what kind of growth you are envisaging there both in case of formal as well as vocational courses and what kind of revenue and margins you are looking for FY-16?

**Pramod Maheshwari:** There are three categories of students take admissions with us. One is in tutorial, second is in higher education, third is in vocational. In Tutorial business as on date the ground indicators are very positive. If we compare our growth on YoY basis,



*Career Point  
May 27, 2015*

there is around more than 35% growth in enrollment. However in the initial months the enrollment growth remains slightly higher which tapered down as months passes. We expect that in Tutorial business we will be able to grow the enrollment number by around 25%. In higher education we are in just third year of operation and we believe that at least we will be able to perform what we have performed last year. If we assume that, then the growth in enrollment will be around 33%. We are expecting close to 40% growth in higher education. In vocational program enrollment depends upon government contract. We only do the government sponsored program where government pays us for the training. As I said we already got 1500 students training order, out of which 200+ are currently undergoing training and approximately 1300 students' enrollment is in pipeline. We are expecting that more projects will come as time passes as government has strong focus on skill development and we are expecting significant growth in enrollment in vocational courses.

**Chetan Vaidya:**

And some sense of your expectations on the revenue and margins for FY-16.

**Mahesh Bhangriya:**

As mentioned for the enrollment growth which will result into top line growth of roughly about 25% with pricing effect. But margin growth will be higher than the top line growth, because there is operating leverage available with the company in Tutorial Service division. Hence, we expect that we would be reaching out close to 30% of margin level in the coming year.

**Chetan Vaidya:**

30% consolidated, right?

**Pramod Maheshwari:**

Actually it is standalone on Tutorial business but it will translate into the consolidated as well.

**Chetan Vaidya:**

What are the CAPEX plans for FY-16?

**Mahesh Bhangriya:**

There are no significant CAPEX plans. Only around close to Rs 5-10 crores kind of CAPEX needs to be incurred on various facility up-keeping and few construction related activities at various sites which is just up gradation of our infrastructure.

**Chetan Vaidya:**

All the best.

**Moderator:**

Thank you. The next question is from the line of Ali Asgar Shakir from Elara Capital. Please go ahead.



*Career Point  
May 27, 2015*

**Ali Asgar Shakir:** Sir just wanted to get some more clarity on this Bilaspur facility that we have started. You did give in your opening remark some understanding but if you can just elaborate a little bit about what is this facility and what is your revenue model there?

**Pramod Maheshwari:** In school education space, we have two approaches to grow our school network. One is by setting up company owned infrastructure and second by partnering with investor or potential partner who invest in land and building that is the kind of franchising route. So Bilaspur is a franchise route wherein we have identified a local partner who is invested into land and building and set up the school.

We are providing the entire end-to-end consultancy and management services to the school and will be charging a share of the revenue from the school for our services, rest will be retained by the school and the promoter so that is the business model on which we are working. This is the first school which we recently signed and we have started this year as we go along we will be partnering with more potential investors or potential partners in different locations. So you want to ask me that how much share we get from this school.

**Ali Asgar Shakir:** Correct.

**Pramod Maheshwari:** It depends upon location; it varies from locations and that kind of services they opt from us whether its end-to-end services or few specific services only.

**Ali Asgar Shakir:** Is there any upfront payment also for the brand Career Point that you are offering them?

**Pramod Maheshwari:** Yes there is upfront payment also. For strategic reasons because it varies from location to location, it will be difficult for us to share.

**Ali Asgar Shakir:** But sir revenue share will be from first year onwards, right?

**Pramod Maheshwari:** Right.

**Ali Asgar Shakir:** And without any CAPEX investment that you will do?

**Pramod Maheshwari:** Yes, company is not doing any CAPEX in this association.

**Ali Asgar Shakir:** Any reasons why we chose Bilaspur in the beginning, is there any particular reason behind it?



*Career Point  
May 27, 2015*

- Pramod Maheshwari:** There is a very strong reason; the Bilaspur partner has already been working with us. He is our tutorial franchisee for last 12 years and we have lot of comfort of doing business with our Bilaspur franchisee. Because we have an existing business relationship from this potential partner so that's why we selected the first location Bilaspur. Though we are not location specific, as we are growing we will be setting up at other locations as well.
- Ali Asgar Shakir:** Does that also mean that Career Point as a brand is already known there and you use their so that helps you in basically ramping up your school business faster over here?
- Pramod Maheshwari:** Correct. Just to share with you, we initially established the Career Point Gurukul in Kota and Career Point school brand in Jodhpur. Once we realized that the brand is having attraction then we started franchising out because setting up your own school where you do all capex in land and building is time consuming and capital intensive activity.
- Mahesh Bhangriya:** And just to add, apparently there is no tutorial service provider which has the presence in both K-12 school segment and the tutorial. So that gives an edge to our business proposition and we would be leveraging that advantage.
- Ali Asgar Shakir:** So is this only K12 or is this K12 plus University, what are the offerings here basically?
- Pramod Maheshwari:** It is purely K12 plus integrated coaching.
- Ali Asgar Shakir:** This is basically integrated coaching meaning hostel plus K12?
- Pramod Maheshwari:** That depends upon the location, if it is a residential campus then it will be having all three facilities and if it is a day school campus then school and integrated coaching.
- Ali Asgar Shakir:** But Bilaspur one, day school or it is with integrated residential school?
- Pramod Maheshwari:** Currently it is day school. However, going forward the plan is to make it a residential one because of the availability of the space land etc.
- Ali Asgar Shakir:** We are seeing a lot of Kota based coaching players starting operation in the Western market also including Mumbai and all so we have discussed this before and you mentioned that you have a huge capacity in Kota which you want to fill. But do you think there is an opportunity outside Kota also which you will tap maybe not in the



*Career Point  
May 27, 2015*

near terms since now we are seeing very good growth already in Kota but about a year or two years time we will probably expand to other regions as well?

**Pramod Maheshwari:** As a company and we believe that there is a huge potential or huge opportunity available in Kota itself and we believe that there is no point of digging somewhere else if we are sitting on gold mine. As Mahesh was earlier briefing that we have reached to enrollment of 30,000 in 2011-12 so our current focus is to reach to that number with the existing facilities and reach to those margins and once we reach to that margin then we will definitely look at other opportunities in other geographies. But currently focus is to utilize the capacity available with us.

**Ali Asgar Shakir:** Just on your loans and advances which are sitting on the books for the amount that you have given to the trust. I believe there is about 3 to 4 years' period that it will take to recover, any plans to quicken this up or any plans to recover this to some other model in earlier than 3 to 4 years or in this time period it will take FY-18-19 to recover this 150 crores?

**Pramod Maheshwari:** As per the University cash flow as on date, it will take around four years to pay. However the University has applied for loan from the bank and once that is sanctioned which is at advanced stages, the payment will be done a bit earlier.

**Ali Asgar Shakir:** So is there any likelihood of larger part of the payment coming in the next two years maybe by FY-17, is that a possibility?

**Pramod Maheshwari:** Yes you can assume so; we are expecting that this may even happen within six months from now.

**Ali Asgar Shakir:** On this significant amount of investment that we are holding in our books with a pretty good market value, are we likely to liquidate any of these assets in the near term may be in FY-16?

**Pramod Maheshwari:** Yes we are having agenda to liquidate the assets which are lying on the book and not put to use. As and when we will get the right pricing, we will definitely liquidate those assets.

**Ali Asgar Shakir:** Is there any specific timeline that we have that maybe about six months to one year they should come through and anything of that sort?



*Career Point  
May 27, 2015*

- Pramod Maheshwari:** These are the land parcels and to be frank we cannot put timeline to sell land parcels because it will create unnecessary pressure on the management to sell the asset for lesser than their intrinsic value. Though we have internally plans that we are aggressively following up and we expect that within a two years of time from now we will be able to liquidate large part of the assets.
- Ali Asgar Shakir:** And this will be utilized in your CAPEX requirements or this will be given away as dividend to shareholders?
- Pramod Maheshwari:** The business is pretty dynamic. Currently we don't have any capex requirement, going forward if any project comes in where we feel that we should retain the money for future capex for the growth of the company, we will do that otherwise we will pay off dividends or other mode of rewarding shareholders like buyback..
- Moderator:** Thank you. The next question is from the line of Jagdish Bhanushali from Florin Tree Advisors. Please go ahead.
- Jagdish Bhanushali:** Wanted to confirm, you just mentioned that we are looking at Tutorial business growth of about 25% in enrollment so wanted to understand what will be the enrollment growth in the long-term part that is in the classroom part that you are expecting?
- Mahesh Bhangriya:** The numbers which we have shared is for long-term classroom operations only. The distance-learning is not factored in right now.
- Jagdish Bhanushali:** And want to understand as the enrollments have already picked up for FY16 as well, wanted to understand how is the growth rate coming up in 11 standard?
- Pramod Maheshwari:** That's a very specific question and slightly trade sensitive at this moment of time so at appropriate time we will let you know. But in all in long-term programs there is a growth of more than 30% as of now and significant growth in class 11 as well.
- Jagdish Bhanushali:** In terms of margins you are guiding some 30% margin so does that include other income as well?
- Mahesh Bhangriya:** No.
- Jagdish Bhanushali:** From December to March loans and advances have increased by about 7 crores in our balance sheet so how is that coming up exactly?



*Career Point  
May 27, 2015*

- Mahesh Bhangriya:** That loans and advances include the advance tax payments to various authorities or vendors payments which has resulted an increase.
- Jagdish Bhanushali:** We do not have that much of tax that will be coming up to on us?
- Mahesh Bhangriya:** Right, but it includes the payments to vendors as well.
- Moderator:** Thank you. The next question is from the line of Jagdish Bhanushali from Florin Tree Advisors. Please go ahead.
- Jagdish Bhanushali:** How is the discount coming up in the enrollments, what sort of discounts are we giving, is it lesser than the previous year or is it at the same levels?
- Pramod Maheshwari:** It is slightly lesser than previous year.
- Jagdish Bhanushali:** So is it like first when we were giving 30% discount to a student in one particular bracket now we are giving 20% or it's like we are giving 25% discount?
- Pramod Maheshwari:** Correct so brackets remain the same but the discount amount has been decreased by approximately 5% across the brackets.
- Moderator:** Thank you. The next question is from the line of Rahul Jain. Please go ahead.
- Rahul Jain:** If you could tell more about the third segment or the skill development part of the government push opportunity, how you see this and in which geography and how the overall profitability works in this business?
- Pramod Maheshwari:** Skill development programs have government focus. 'Make in India' cannot be realized without skill development so all the state governments as well as the central government are putting lot of thrust on the skill development of the youth and all state governments have developed some kind of a department or ministry focusing on skill development like in Rajasthan there is Rajasthan Skill Livelihood and Development Corporation. Under these, they actually sponsor students for various entry levels job profiles and empanell training partners like us who provide training. Usually this training program is of 400 hours to 600 hours duration and cost of such programs or the kind of money government pays to training provider is close to Rs 10,000 per program which is approximately 3 months' duration. Margins in this program are approximately 25 to 30%. After getting empanelled with Rajasthan Government, we also applied to National Skill Development Corporation which is NSDC. Once we empanelled with NSDC we will be eligible to take up many other



*Career Point  
May 27, 2015*

skill development programs with other state governments. At present, the application has been evaluated by NSDC by their project evaluation committee and there are two more stages. Once we are through with those two stages, we will be empanelled by the NSDC. We see huge scope in that, at the same time there are challenges also. The biggest challenge in the skill development is mobilization of the students That to some extent is addressed when government gives the money on behalf of students training.

**Rahul Jain:** When you say 25-30% margin is it because I think we may be utilizing our existing facility or where these things are held on and are the dedicated resources who teach in these things ore these are our existing resources which would be taking part?

**Pramod Maheshwari:** There are two parts of your question, one is the infrastructure facility and second is the teaching resources. Usually the teaching resources are dedicated for this program because these are the specialized programs, let's say it is a certificate program in telecommunication then it is a specialized program. So these are the dedicated resources and many times we get project based faculty resources so we need not to take them on roll forever. They come during the project, complete the project and go. Whereas for infrastructure, yes we are utilizing our existing infrastructure but based on our calculation if we go for separate infrastructure the margins will not come down significantly. Those will be around 15% plus.

**Rahul Jain:** One you said is when you need to get registered with NSDC that becomes a sort of entry barrier for anybody to come into this space quickly so that is one thing but do we think we have a capability, strength providing this kind of a service especially versus any other company who would like to pursue this opportunity and secondly on the receivable side where we feel lot of education companies have taken on various opportunities by government in past but they end up having a large receivable books and the challenges on the cash flow front so how do you take that challenge?

**Pramod Maheshwari:** There are couple of questions, first I will take the receivable one because that is the most serious concern with majority of companies which have done government projects in the past. The only issue is with the compliance part. If we are not complying with the government guidelines, we will face challenges on receivable and till now we are having a very positive view on this. We have been very comfortable, we have been working with Government of Rajasthan, and we don't see any challenge in receivable unless otherwise one doesn't comply with their guidelines so



*Career Point  
May 27, 2015*

that is the most critical aspect. Yes, there may be some delay in the payment but they pay you at the end of the training program, after months' time or two months' time.

Second issue is related to the capacity, we are entering into this space in a gradual manner. If you look at the way we may enter into this, we could have entered in the skill development 2 years or 3 years back also but we first developed our skill in vocational programs through university by running Polytechnic College and by running ITI institutions. Once we realized that we are capable and we are having capacity to run these kinds of programs then we applied to the Government of Rajasthan. However, that time all the state governments were having projects but we took the Rajasthan Government project because it was easy for us to implement and execute. Once we realize yes we can execute it then we applied for NSDC. So we are gradually building up our capacity and strength and we feel that once we get the NSDC approval we will be in a position to roll it out aggressively, if not in all the states but in certain states where we have significant presence in capability to work on ground.

**Moderator:** Thank you. The next question is from the line of Chetan Vaidya from JHP Securities. Please go ahead.

**Chetan Vaidya:** You just spoke about the opportunity in the vocational part – my question is on the distance learning education. In my opinion the opportunity is equal in that segment as well so what kind of growth are you expecting there and what are the key challenges in that segment?

**Pramod Maheshwari:** Distance learning program in tutorial segment, there are three kinds of products which you can sell to the students who are unable to join your program. One is study material and exercise sheet which is a kind of package but now lot of books are available in the market giving very good content so you need to compete with that. The second is the test Assessment site, Assessment is something which is very good product because every student wants to see his performance for he wants to check his performance against the students across the nation so there we see the potential. But the biggest potential is in e-learning and that too in video content given to the student in off-line mode on pen drive or on SD card etc. So we are observing huge traction in e-learning side and huge potential as well. In fact just to share with you we started distributing video content for last one quarter almost and we have observed acceptance of the students for video content and there we see a big opportunity. In fact our company is working in that space very aggressively to take the large



*Career Point  
May 27, 2015*

potential because from almost all parts of the country you can get the student subscribing for your video content. However, books and test series is available by either by local player or the regional player and enrolling the students in that space becomes slightly challenging, not because you can't enroll but the price point is needed to be lower so cost of acquisition of customer becomes very high.

**Chetan Vaidya:** What's the quantum of content development cost in distance education or in terms of total cost that you incur while giving these classes and what are the margins in this distance learning?

**Pramod Maheshwari:** The content which we develop primarily we developed it for our tutorial classes which has been developed over the years. We just upgraded the study material so there is a team which actually upgrades the study material and make it relevant to the current examination pattern. So not very significant cost is involved in that point. It is a publishing material kind of business and the margins in test series and study material is close to 40%.

**Chetan Vaidya:** Earlier in the call you spoke about having made application to NSDC and if you get that application you may be eligible to offer courses to other state government so by which quarter you expect you get that confirmation?

**Pramod Maheshwari:** We are expecting that the NSDC should be conveying the decision to us in the next month that is what our expectation is. Currently we are two stages behind of getting approval or getting final rejection whatever the case may be. So we are expecting that everything will get cleared in a month's time.

**Chetan Vaidya:** So most likely in the Q2 is there any kind of ideal number?

**Pramod Maheshwari:** Yes.

**Chetan Vaidya:** Finally on the tax, what kind of taxes one can assume for FY-16 because there has been a significant change on the consolidated basis for FY-14 and 15 if you look at the total tax amount?

**Mahesh Bhangriya:** Though the company tax rate is about 30% but we have a MAT credit available of about 4 crores in our consol books. So, it also depends on how much MAT credit we would be able to utilize.



*Career Point  
May 27, 2015*

- Pramod Maheshwari:** So effectively you can take a 20%. Calculating the MAT credit availability effective tax will be 20%.
- Chetan Vaidya:** Finally for 4 quarters the tax rate would be around 20% ?
- Pramod Maheshwari:** Yes.
- Moderator:** Thank you. The next question is from the line of Chintan Seth from SKS Capital. Please go ahead.
- Chintan Seth:** Just wanted to confirm on the net cash figure that you mentioned on consol basis it's around 42 crores net cash and standalone its 73 crores?
- Pramod Maheshwari:** Yes.
- Chintan Seth:** But on your presentation in consol 43 crores of borrowing and investments including cash is 16 crores so am I missing something?
- Mahesh Bhangriya:** We have also included the current loans part in that.
- Chintan Seth:** Still net cash doesn't work out to be 42 crores in consol basis. Borrowing you have 43 crores odd as of March '15, your cash balance is around 2 crores, current investments is 14 crores odd and loans and advances on the current side is 33 crores odd so if I add in adjust the borrowing part it doesn't come to 42 crores as you mentioned.
- Mahesh Bhangriya:** I think what could be missing in this calculation is liquid investments reflected in long-term investments. Out of total long-term investments of Rs 36.24 Crores, we have Rs 35.81 Crores in mutual fund investments – mainly in to FMPs and Income funds.
- Chintan Seth:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jagdish Bhanushali from Florin Tree Advisors. Please go ahead.
- Jagdish Bhanushali:** Wanted to understand how much of a rack rate increase that we have taken in FY-16?
- Mahesh Bhangriya:** 14% on blended basis.
- Jagdish Bhanushali:** Thank you so much.



*Career Point  
May 27, 2015*

**Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Rahul Jain for closing comments.

**Rahul Jain:** Thank everyone for joining the call and management to spending their time, look forward for further discussion.

**Pramod Maheshwari:** Thank you all.

**Moderator:** Ladies and gentlemen on behalf of Systematix Shares & Stock Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.